
CPA Australia Modern Slavery Statement 2021

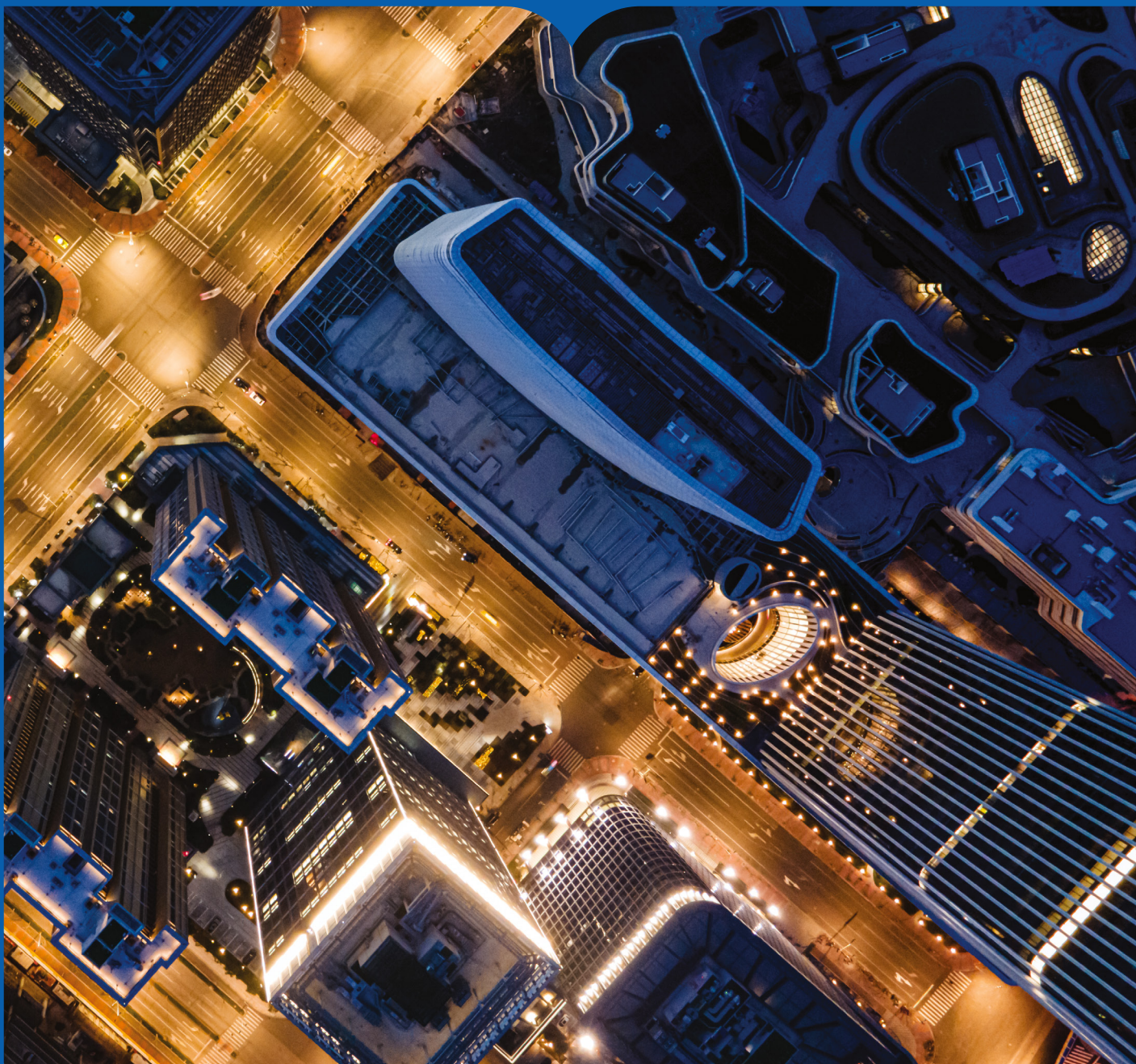


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Foreword

We are pleased to present CPA Australia's second modern slavery statement. The past two years have been an important learning experience for our organisation as we work to implement our modern slavery response. As we enter our third reporting period in 2022, we are committed to continuing to improve and refine our modern slavery risk management.

In 2021, we built on the strong foundation established in the previous year. Our key achievements included:

- undertaking a comprehensive modern slavery gap analysis and developing a three-year continuous improvement roadmap
- formalising the role of our Modern Slavery and Human Rights Working Group by developing formal terms of reference
- continuing to build an understanding of modern slavery risks in our supply chain using a Supplier Assessment Questionnaire, and developing guidance to help business units assess supplier responses
- delivering modern slavery training and raising awareness across our business, including an independent third party briefing for our Audit Risk and Compliance Committee and training employees from key functions.

We intend to work closely with government, members and other stakeholders as part of the three-year review of the Modern Slavery Act 2018 (Cth). We believe the profession can play an important role in addressing modern slavery, and we look forward to sharing our perspective and engaging with members as part of the review process.

This statement was approved by the Board of CPA Australia Ltd on 12 May 2022 and signed by me in accordance with the requirements of the legislation.

Merran H Kelsall FCPA
President and Chairman of the Board
CPA Australia Ltd

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About this statement

This modern slavery statement ("statement") is made under the Modern Slavery Act 2018 (Cth) (MSA) by CPA Australia Ltd as the reporting entity (ABN 64 008 392 452) (CPA Australia, we, our, us). It sets out our efforts to assess and address modern slavery risks over the 2021 calendar year (the reporting period). As required by the MSA, this statement also addresses modern slavery risks and actions in relation to our two subsidiaries (a third subsidiary was dissolved during the reporting period).

These three subsidiaries are not individual reporting entities for the purposes of the MSA. Further information about our corporate structure is set out in section 2 of this statement.

As CPA Australia and our subsidiaries share similar business models and supply chains, this statement describes our modern slavery risks and responses to these risks across our corporate structure on a consolidated basis. The boards of all our controlled entities must act in accordance with all standards and policies that have been adopted and promoted by CPA Australia, including those relating to modern slavery and broader human rights issues.

CPA Australia Ltd is registered as a foreign corporation in the United Kingdom (UK) and this statement also meets the requirements of the Modern Slavery Act 2015 (UK).

Our response to modern slavery is guided by three key principles:

- the risk to individuals is paramount to all other risk considerations
- we actively seek to identify the risk of modern slavery in our operations and supply chains even if we do not find instances of modern slavery
- assessing modern slavery risks and taking actions to address those risks is the right thing to do. It also drives commercial and social value for CPA Australia, which results in value for members.

This statement highlights how we have applied these principles to assess and address modern slavery risks in our operations and supply chains. Appendix 1 explains how the content in this statement aligns with the requirements of the MSA and the Modern Slavery Act 2015 (UK).

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Our structure, operations and supply chains

This section describes the structure, operations and supply chains of CPA Australia. The information provides important context for our modern slavery risk profile, which is outlined in section 3.

Our structure

CPA Australia Ltd is a company limited by guarantee incorporated in Australia. We are governed by a Board of Directors elected by the Appointments Council, which includes a representative from each Divisional Council. Divisional Councils are comprised of members who act as advocates for CPA Australia and for members of the division in their regions and spheres of influence.

Our governance structure is set out on page 9. Further information about how we have integrated modern slavery into our governance structure, including the role of our Modern Slavery and Human Rights Working Group, is set out in section 4.

Corporate governance structure for 2021

Members

- Divisional Councils
- Council of Presidents
- Appointments Council

Members are governed by the professional requirements of CPA Australia and our Constitution and By-Laws. They elect Divisional Councillors and, through the Appointments Council, the Board.

Divisional Councils are established under the CPA Australia Constitution. The Appointments Council consists entirely of CPA Australia members elected from Divisional Councils and is responsible for electing the Board.

The Council of Presidents comprises the Presidents of each of the Divisional Councils, and its sole purpose is to advise the Board on strategic issues and opportunities.

Compliance panels

- Disciplinary Panel
- Professional Conduct Oversight Panel

Our registered office is located in Melbourne, Australia. We have over 170,000 members in Australia and overseas, who are attached to 13 divisions. There are seven divisions in Australia and a further six divisions across Europe, Greater China, Malaysia, New Zealand and Singapore.

CPA Australia Ltd ultimately controls the following entities:

- CPA Australia (M) Sdn. Bhd. a private company incorporated in Malaysia to facilitate the provision of services to members in Malaysia
- CPA Australia (Shanghai) Co. Ltd. a private company incorporated in China to facilitate the provision of services to members in China.

In 2021, CPA Australia Advice Pty Ltd was dissolved. CPA Australia Advice Pty Ltd did not have any outward facing operations, employ staff, or undertake external procurement in 2021 (the reporting period covered by this statement).

The Board – Board committees

- Audit, Risk and Compliance
- Member Engagement and Culture
- Education, Policy and Innovation
- Nomination
- Finance and Investment*

The Board of Directors is the governing body of CPA Australia. The Board independently and objectively assesses the company's decisions and oversees the performance and activities of management against a risk management framework. This creates a disciplined process for effectively managing risk to enable the achievement of the company's strategic objectives.

The Board is responsible for managing CPA Australia's response to modern slavery with the support of relevant business functions.

Board committees assist the Board in its decision-making and policy processes. The Audit, Risk and Compliance Committee is responsible for managing the implementation of our modern slavery response, including internal risk management and external reporting through this statement.

Advisory committees

- Professional Education
- Public Practice
- CPA Australia Best Practice

Advisory committees provide their expertise on matters relating to professional qualifications and public practice.

*The Finance and Investment Committee ceased operation at the end of 2021 with its responsibilities now covered by the full Board and other Board committees.

Our operations

CPA Australia is one of the world's largest accounting bodies, with a global presence. There were no significant changes to our operations over the reporting period.

The operations of CPA Australia and our subsidiaries are primarily focused on the provision of services to members in Australia and globally. We are partners for progress, and through our trusted relationships, we continue to lead the future and develop business professionals with tomorrow's capabilities. In doing so, we are helping to advance those who enhance their communities. This means regularly engaging with members, employers, academia, government, regulators, standard setters and the community to ensure we understand the current and future needs of the profession. This is especially important when it comes to issues such as modern slavery. This helps us develop strategies, content, products and services to deliver an experience that meets members' needs and goals throughout each stage of their journey.

Services

Our core services include education, training, technical support and advocacy. We provide these through a range of channels, including our website, INTHEBLACK digital magazine, face-to-face and online events, Centres of Excellence for six key policy issues, and a dedicated member contact centre in Melbourne. We also publish the Australian Accounting Review, a quarterly peer-reviewed journal.

In 2021, we delivered approximately 2100 member events, including conferences, forums, roundtables, discussion groups and information sessions. More than 1300 of these events were virtual and attracted over 180,000 registrations.

A large part of our work is advocating for the interests of our profession, members and the public. Employees and members work together with local and international bodies to represent concerns and issues, like modern slavery, to governments, regulators, standard setters, industries, academia and the general public. Further information about our member engagement and collaboration is set out in section 5.

Delivering the CPA Program is a key element of our operations. The program is run via distance learning by a dedicated team within CPA Australia.

The CPA Program is internationally recognised and has a strong focus on the practical application of knowledge within a real-world setting. It goes beyond the numbers to teach the skills needed to reach the next level in leadership, strategy and business. This includes:

- commercial awareness
- emotional intelligence
- communication and collaboration skills
- a technically skilled and solution-driven approach to problem solving
- awareness of the social impacts of accounting.

Investments

As part of our operations, we invest funds in equities, equity funds, property funds and bonds, among other investments, in line with our Cash and Investment Policy. These investments are managed by an external investment manager. Information about our engagement with our investment manager during the reporting period in relation to modern slavery is set out in section 4.

Publication of INTHEBLACK articles on human rights including modern slavery and broader labour rights issues

The INTHEBLACK digital magazine is a leading source of information on business, finance and accounting, offering key insights into strategic thought leadership by way of expert analysis. In 2021, we published various articles on human rights, including modern slavery and broader labour rights issues.

Human Rights in the Spotlight (September 2021)

'A new report that measures the human rights performance of ASX-listed finance corporations has found that the 22 companies studied are largely failing to manage the risk of potential human rights breaches.'

How to Build a Career with Social Impact (August 2021)

'More and more organisations are introducing opportunities and initiatives to empower work, so that social responsibility and the ability to make a difference are not confined to certain roles.'

The Cost of Speaking Out (July 2021)

'Calling out misconduct in the workplace can come at a price.'

Fashioning Sustainability (June 2021)

'A simple white t-shirt from a global fast-fashion brand can set you back as little as A\$5, but how much does it really cost?'

Resilience key to supply chain success (May 2021)

'In calm waters, long supply chains are almost set and forget. In choppy seas, they are anything but. For many businesses today, good supply chain management is the difference between smooth sailing and capsizing.'

Disability employment: The cost of exclusion (March 2021)

'Disability inclusion benefits everyone – so why aren't more organisations seriously invested in disability employment?'

CPA Australia office locations

As at 31 December 2021, CPA Australia and its controlled entities have more than 600 employees located in nine countries. This is a small increase on our last reporting period. Over 480 employees are based in Australia, with the majority in Melbourne, and more than 120 are based in other locations, mostly Hong Kong, Malaysia and Singapore.

The majority 89 per cent of our employees are engaged on a full-time basis, and undertake professional, office-based roles, including education, event planning and member engagement. We also engage a number of contingent workers, primarily for office-based roles. Employees and contingent workers overseas are engaged in accordance with applicable workplace laws.

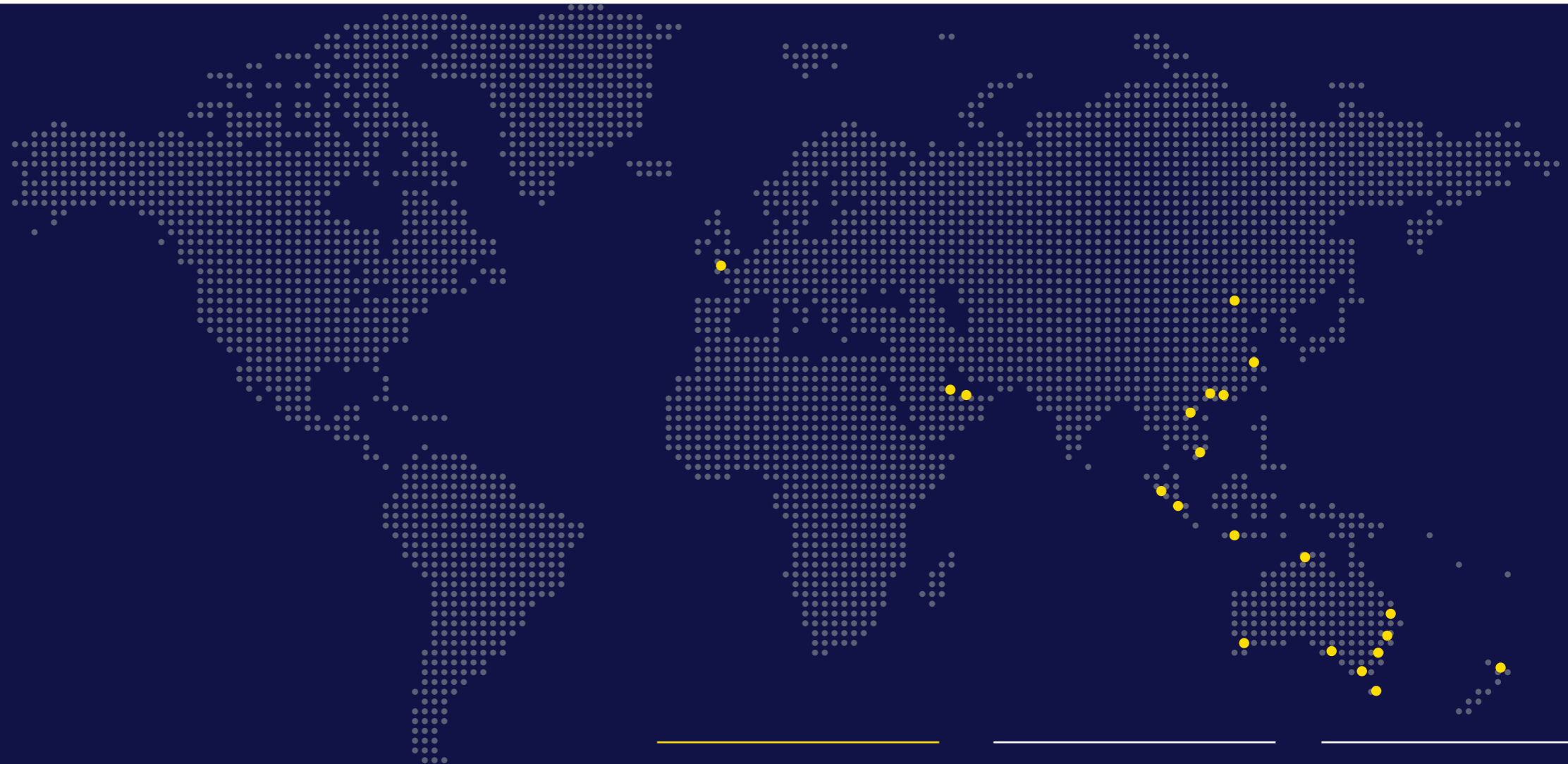
CPA Australia (Shanghai) Co. Ltd has staffed branch offices in Beijing, Shanghai and Guangzhou, China.

CPA Australia Ltd operates as a registered foreign corporation in the UK, Indonesia, New Zealand, Singapore, Malaysia and Hong Kong, and has offices in each of these countries and regions.

CPA Australia Ltd has staffed regional representative offices in Beijing, China; Hanoi and Ho Chi Minh City, Vietnam; and Jakarta, Indonesia. We have unstaffed representative offices in Dubai and Abu Dhabi, UAE.

There were no changes to our office locations during the reporting period. We have 21 offices across:

- Melbourne, Australia
- Canberra, Australia
- Sydney, Australia
- Brisbane, Australia
- Adelaide, Australia
- Hobart, Australia
- Perth, Australia
- Darwin, Australia
- London, UK
- Beijing, China
- Guangzhou, China
- Shanghai, China
- Hong Kong SAR, China
- Kuala Lumpur, Malaysia
- Auckland, New Zealand
- Singapore
- Jakarta, Indonesia
- Abu Dhabi, UAE
- Dubai, UAE
- Hanoi, Vietnam
- Ho Chi Minh City, Vietnam.



Employees globally

611

Employees based in Australia

484

Employees based in other locations

127

Our supply chains

Procurement for CPA Australia and our controlled entities is managed by a centralised procurement team based in Melbourne. This team oversees key procurement activities and maintains and implements our procurement policies and processes.


Our supply chains reflect the services-based nature of our operations. Unlike many reporting entities in other sectors, we do not have a significant retail supply chain or produce or manufacture products.

Our procurement profile and spend remains similar to the last reporting period. We have assessed that our \$92.6 million spend across our global supply chains as at 31 December 2021 was spread across more than 1000 Tier One¹ suppliers of goods or services.


CPA Australia supply chains

Of these suppliers, our top industries for procurement of goods and services based on spend were:

-  **Financial services, including insurance broking**
-  **Education content, including the publishing of study guides**
-  **Media and marketing, including media and creative services**
-  **Recruitment, including recruitment agency services**

 **ICT, including hardware, software and telecommunications goods and services**

 **Construction, including interior design and fit out goods and services**

 **Hospitality, including catering for member events in Australia and overseas**

 **Cleaning, facilities management and security for our offices and events in Australia and overseas.**

Each sector of spend may have potential exposure to modern slavery and the risks of modern slavery in our supply chains are detailed in section 3.

The type and duration of our commercial relationships with our Tier One suppliers varies significantly. For example, in some cases we have longer-term relationships with key suppliers, such as financial and other professional services providers. In contrast, we also have a range of shorter, ad hoc relationships with other suppliers, such as a venue provider engaged for a specific event.

In 2021, almost all of our Tier One suppliers were based in Australia, Singapore, the US and the UK, with the vast majority of our spend (over 74 per cent) occurring in Australia. We recognise that country of location for our Tier One suppliers may not be an indicator of supply chain risk. This is because the production and delivery of products and services procured by us may take place outside of these countries.

We also acknowledge that procurement expenditure does not correlate to the level of modern slavery risk, and that we may also be exposed to modern slavery risks through smaller or once-off procurements in other categories not identified above.

As we work to further strengthen our response, we plan to take steps to build our understanding of our supply chains below Tier One. Key areas of our spend, including ICT and construction, rely on complex global supply chains which can involve a wide range of materials, activities and services. For example, ICT supply chains may involve sourcing of minerals and other raw materials, multi-stage manufacturing and assembly processes across multiple countries, and a variety of warehousing, transport and other logistics services. As set out in section 3, we recognise modern slavery could occur at a number of points in these supply chains and that we could be directly linked to this harm through the provision of goods or services to us. We will explore scope to undertake a modern slavery deep dive with a Tier One supplier to better understand our supply chains below Tier One and what leverage we may have or need to build to help mitigate any apparent risks.

¹Our Tier One suppliers are our direct suppliers with whom we have a contractual relationship.

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Our modern slavery risks

This section of our statement describes the modern slavery risks we have identified in the operations and supply chains of CPA Australia and its controlled entities. We consider that these risks are relevant to each of these entities and have not identified additional specific risks relating to particular entities within our structure.

We recognise that our modern slavery risks may change and evolve over time and we are committed to regularly reviewing our risk profile.

Modern slavery

Modern slavery describes situations where “coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom”.² It involves serious exploitation and grave abuses of human rights.

As defined in the MSA, modern slavery practices include trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour (situations where children are subjected to slavery or similar practices, or engaged in hazardous work) and deceptive recruiting for labour or services. Modern slavery can occur in all sectors and can happen in Australia as well as overseas.

How modern slavery risks may be present in our operations and supply chains

We have a responsibility to respect human rights through all our business activities and relationships under the **UN Guiding Principles on Business and Human Rights** (UNGPs). This includes the human rights that protect against modern slavery.

The UNGPs are the recognised global standard for preventing and addressing human rights harm by businesses. They provide an important framework to help us, and other businesses, understand and respond to modern slavery risks. We applied the UNGPs in our modern slavery risk assessment (described in our **last statement**) to identify and explain how we may cause, contribute to, or be directly linked to modern slavery, and understand how we should respond. Our ongoing risk assessment activities are described in section 4.

Modern slavery risks may be present in our operations and supply chains due to a range of factors, including:

- procurement of products or services from high-risk countries or sectors
- use of third-party recruitment providers, including the recruitment of contingent labour in countries with high prevalence of modern slavery
- our investment activities, which could lead to us holding equities in other businesses that may have high modern slavery risks.

We believe that our most significant modern slavery risks are likely to be present in our supply chains, rather than our operations. This reflects the member-focused and services-based nature of our operations, which can present less scope for modern slavery conduct to occur than other sectors and business models. However, we recognise that the professional services sector, including accounting professionals, may face a range of modern slavery risks, including through their clients. CPA Australia members provide accounting advice and other professional services to a wide range of businesses and organisations, including those in high-risk sectors and geographies.

We remain committed to supporting and equipping members to respond to modern slavery risks they may encounter through the provision of accounting advice and services. More information about our engagement with members is set out in section 5.

Consistent with the UNGPs, we consider that our most significant modern slavery risks are those that would result in the most severe harm to people rather than our business. These risks are described in this section.

The impact of COVID-19

We understand that our modern slavery risk profile may be impacted by wider external factors, including COVID-19.

As acknowledged in our 2020 statement, we recognise that the ongoing impact of COVID-19 is likely to have heightened modern slavery risks in our supply chains. This includes increasing some supply chain workers' vulnerability to exploitation.

For example, order backlogs and/or cancellations and increased demand for some products can place significant pressure on suppliers, which may lead to the exploitation of workers. Due to the member-based nature of our operations, our business activities during the reporting period were not impacted by the pandemic to the same extent as other sectors, like manufacturing, travel and tourism or extractives.

However, many CPA Australia members work in these sectors and we have continued to provide them with additional support, including **resources to support them and their clients at every stage of the COVID-19 crisis**. We have also advocated for support for Australian businesses significantly impacted by COVID-19-related restrictions.

Due to our pivot to home-based working during the pandemic, we were not required to procure significant amounts of personal protective equipment (PPE), which we recognise can involve high modern slavery risks.

²Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities (p. 8).

Modern slavery risks in our supply chains

We seek to engage suppliers with proven values, ethics and business practices, including those related to modern slavery and broader human rights issues. We believe that we can also work with suppliers to positively influence their response to modern slavery risks.

Building on our 2020 review of modern slavery risks in our procurement spend and supplier spend data, for 2021 we have identified the following modern slavery risks in our supply chain. Section 4 explains the actions we are taking to further assess and address these risks.

In addition, we are continuing to consider other potential modern slavery risks, including those associated with merchandise and outsourced printing services, as well as office consumables.



A medium to high risk that we could be directly linked to modern slavery by procuring ICT goods and services that are produced or delivered using modern slavery.

Why is this a risk area?

We procure a range of electronic products like laptops, computers and mobile phones to support our business activities. These products have long and complex supply chains and can involve high modern slavery risks. This includes the use of exploited labour in overseas factories where these products are manufactured, and the use of conflict minerals in components, which may be mined or processed by victims of modern slavery. Demand for these products is likely to have increased due to COVID-19, which may have increased modern slavery risks in this area.

There may also be modern slavery risks associated with the provision of support services for these products, like offshore call centres, which may be located in countries with weaker enforcement of labour laws.



A medium to high risk that we could contribute to or be directly linked to modern slavery by procuring cleaning, property management, maintenance and construction goods and services that are produced or delivered using modern slavery.

Why is this a risk area?

We rely on cleaning, property management, maintenance and construction goods and services to operate all our offices. These goods and services can involve high modern slavery risks, including risks associated with the widespread use of unskilled migrant labour and unauthorised subcontracting, which have been reported to be more vulnerable to modern slavery. In some cases, we may procure these goods and services directly, while in other cases they may be provided by our external building managers.

Modern slavery in these sectors can occur in Australia, as well as overseas. However, modern slavery risks associated with these products and services may be greater in some high-risk countries where modern slavery is more prevalent. While we do not think it is likely that we would contribute to modern slavery in this area within the meaning of the UNGPs, we recognise that there may be a possibility we could if appropriate risk management steps were not in place (as set out in section 4).



A medium to high risk we could contribute to or be directly linked to modern slavery through procuring hospitality goods and services (including labour and food and beverage products) that are produced or delivered using modern slavery.

In 2021, we hosted 597 in-person events globally. For many of these, we relied on labour hire delivered by third party suppliers in the hospitality industry.

The hospitality sector is a high-risk sector for modern slavery in Australia and overseas, due to the use of short-term unskilled labour. There is also a risk that some food and beverage products provided during our events (such as tea, coffee, fruit, seafood and other relevant products) may involve modern slavery.

Modern slavery risks associated with these products and services may be greater in some high-risk countries where modern slavery is more prevalent.

While we do not think it is likely that we would contribute to modern slavery in this area within the meaning of the UNGPs, we recognise that there may be a possibility we could if appropriate risk management steps were not in place (as set out in section 4).

Modern slavery risks in our operations

Our operations primarily involve the provision of services to members, and our employees are engaged in accordance with applicable workplace laws and protections.

We have identified that the modern slavery risks in our operations may include:



A medium risk that we may contribute to or be directly linked to modern slavery through hiring arrangements for employees and contingent workers for our overseas offices and operations.

Why is this a risk area?

In some circumstances, we recruit employees and contingent workers overseas, including through third-party recruitment firms. Generally, these recruitment processes are for professional, office-based roles which tend to carry a lower modern slavery risk.

Recruitment processes can involve high levels of modern slavery risk, especially when recruiting for lower-skilled or temporary positions in countries where the use of recruitment fees is widespread. In some circumstances, recruitment fees can be used to hold victims in debt bondage, a form of modern slavery. While we do not think it is likely that we would contribute to modern slavery in this area within the meaning of the UNGPs, we recognise that there may be a risk we could if appropriate risk management steps were not in place.



A medium to high risk that we may be directly linked to modern slavery through our investment activities and portfolios.

Why is this a risk area?

We invest funds in diverse equities, equity funds, property funds and bonds, among other investments. These investments are managed by an external investment manager.

There is a risk that we may be directly linked to modern slavery through these investments. For example, we may invest in equities from a company that is found to have modern slavery in its operations or supply chains.



4

Our actions to assess and address modern slavery risks in our operations and supply chains

This section outlines our actions to assess and address modern slavery risks in our operations and supply chains during the reporting period, including those of our controlled entities. This section is structured to align with the core components of human rights due diligence set out in the UNGPs.

We are committed to continually improving our response to modern slavery and the actions detailed in this section build on key steps taken in 2020, which are outlined in our previous statement.

Modern slavery incidents

In 2021, we did not identify any modern slavery incident in our supply chains and operations.

We are also not aware of any current or pending legal action against us regarding the breach of a modern slavery or other human rights law. However, we recognise that modern slavery may be hidden in our supply chains and operations.

We will continue to take action to assess and address our modern slavery risks and equip ourselves to respond to any future cases of modern slavery that we may identify in our operations or supply chains.

Key action in focus: Modern slavery gap analysis and roadmap

In 2021, we undertook a modern slavery gap analysis, in line with our focus on continuous improvement. This helped us develop a detailed, continuous improvement roadmap for future action.

The gap analysis and roadmap project was delivered by Pillar Two, a specialist business and human rights advisory firm. The process involved a comprehensive assessment of our response to modern slavery against a range of indicators aligned with the UNGPs, and the expectations set out in the Australian Government's official guidance about reporting under the MSA. The assessment process was also informed by interviews with key functions across our business and a review of relevant policies and processes.

Based on the results of the gap analysis, our roadmap for action includes over 50 recommendations for implementation over 2021–23 across six action areas. These recommendations address key areas for improvement and identify opportunities for future leadership. The three-year cycle for the roadmap includes a focus on refining our policy and governance framework over 2021, strengthening our risk assessment and due diligence actions in 2022, and reviewing steps taken and opportunities for collaboration in 2023.

The gap analysis and roadmap process has provided a practical framework for us to further expand and refine our response to modern slavery in a targeted way. It has also helped guide our actions in this area over 2021. Our Modern Slavery and Human Rights Working Group meets regularly to track and discuss the roadmap's implementation and identify potential challenges and further opportunities for action.

A) Strengthening our policies and governance processes

Our key policy documents and governance processes clearly express and reflect our commitment to combating modern slavery.

As described in our 2020 statement, we updated a number of relevant policies during the previous reporting period and established a Modern Slavery and Human Rights Working Group to lead the implementation of our response.

The following steps outline how we have further strengthened our policy and governance frameworks during 2021.

Updating our Procurement Policy

We revised the policy to further strengthen provisions relating to modern slavery and make it clear that modern slavery considerations are to be taken into account in our procurement processes. The updated policy confirms that we will verify compliance with applicable legal requirements through the procurement process, including those relating to human rights and environmental impacts. The policy makes it clear that human rights impacts include modern slavery, as well as broader labour rights issues that may be modern slavery red flags, like harassment and discrimination, and workplace health and safety issues.

The policy applies to all CPA Australia procurement, including procurement undertaken for our owned and controlled entities. Training about the policy is provided to all employees as part of our employee onboarding program and is available on our intranet. Modern slavery training is also provided to relevant employees, as described on page 30.

Updating our Fraud and Corruption Policy

We further amended the policy to expand the existing reference to modern slavery by noting that corruption and fraud can be closely linked to modern slavery. The amendments also include a recommendation that reports of fraud or corruption be reviewed for potential links to modern slavery when they involve a supplier. This policy extends to all employees in Australia and overseas, and the amendments will help to align our responses to modern slavery, and fraud and corruption (which can be an enabler for modern slavery).

Establishing terms of reference for our Modern Slavery and Human Rights Working Group

Our cross-functional Modern Slavery and Human Rights Working Group was established in 2020 and is responsible for driving our modern slavery response, including the implementation of our roadmap.

The working group is comprised of representatives from key business units, including Procurement, Policy and Advocacy, People and Culture, Company Secretariat, Finance and Legal. The Procurement team is responsible for chairing the working group, and a number of working group members also have responsibilities in relation to our controlled entities.

During the reporting period, we further expanded the working group's membership to include representatives from our Property and Facilities team and our International team. This helps to ensure that potential modern slavery risks in these areas can be managed through the working group.

In 2021, we formalised the role of the working group by establishing written terms of reference to provide a clear framework for the group's activities.

The terms of reference set out the working group's primary responsibilities, which include:

- overseeing the implementation of the roadmap
- supporting the development of our annual statement
- promoting an understanding and awareness of the roadmap and CPA Australia's response to modern slavery across the organisation
- providing briefings, advice and support to senior managers, relevant executive level committees and the Board.

The terms of reference also set clear expectations for working group members and address key governance considerations, including reporting to the Board through the Audit Risk and Compliance Committee (ARCC).

"We recognise that society expects businesses to respect human rights throughout their operations and supply chains, and we continue to work to understand opportunities to make a positive contribution to human rights. The working group has been a key forum for us to drive action across the business and share key learnings and feedback."

Modern Slavery and Human Rights Working Group member

Maintaining a clear governance framework to ensure internal accountability for our response

Good governance and clear internal accountability are key elements of our response to modern slavery.

In addition to the actions described above, we maintained a clear governance framework for our modern slavery response during the reporting period.

A detailed overview of our governance framework is set out in section 2 of this statement. Within this governance framework, the Board of Directors is the governing body of CPA Australia Ltd and sets and approves our strategy, direction and financial objectives, including those relating to modern slavery risk identification and mitigation.

The ARCC is the Board committee responsible for managing the implementation of our modern slavery response, including internal risk management and external reporting through this statement.

The working group reports to the Board through the ARCC.

The governance of our modern slavery work is considered and reported on at senior levels of the company, including the Board, the ARCC, the Executive Management Team and senior management. These individuals have received updates relating to our modern slavery response throughout 2021. ARCC members also received a strategic briefing on modern slavery from an expert third party during the reporting period (described on page 30). For more information about our corporate governance framework please see page 4 of our 2021 integrated report.

B) Identifying and assessing our modern slavery risks

We are working to build our understanding of our modern slavery risk profile (including supplier-specific risks) by engaging with selected suppliers.

We consider a range of factors, like:

- the use of labour hire in the delivery of the goods and services (including the employment of vulnerable people)
- whether the supplier has complied with the MSA
- action taken/planned to tackle modern slavery and human rights abuses within the organisation
- the supply chains involved in the delivery of the proposed services, provision of training on modern slavery and/or broader human rights issues for relevant workers, such as personnel with responsibility for managing contracts.

Continuing to implement Supplier Assessment Questionnaires

During the reporting period, we continued to implement the Supplier Assessment Questionnaire (SAQ) developed in 2020. We recognise that SAQs can have limitations (for example, in some circumstances it can be difficult to verify information provided by a supplier).

However, as a comparatively smaller reporting entity, the SAQ provides us with a valuable tool to understand and assess supplier-specific modern slavery risks.

Our current SAQ focuses on identifying potential modern slavery and broader human rights risks through a series of targeted questions.

These questions address a range of topics, including the supplier's current modern slavery risk management actions and how the supplier would respond to an allegation of modern slavery or substandard working conditions in its operations or supply chains.

During the reporting period, we requested that any new suppliers identified as posing higher modern slavery risks, must complete the SAQ as part of the Approval to Proceed step in our procurement process (see further information on page 32).

Developing guidance for our business units to support analysis of SAQ results

To improve the SAQ process, we developed supporting guidance to help business units better understand and interpret supplier responses during the reporting period. For each question in the SAQ, the supporting guidance explains why the question is important and identifies indicators of a satisfactory and unsatisfactory response.

Where business units identify that a response may be unsatisfactory, the supporting guidance directs them to engage with the Procurement team to determine the next steps. As part of the broader modern slavery training referenced on page 30, we have also provided training to selected employees across the business on how to use this supporting guidance.

Engaging with certain suppliers rated medium and high risk in hospitality, events and property and facilities management services

During 2021, our Procurement team considered if any areas of procurement spend not formally assessed through our 2020 risk assessment process could pose high levels of modern slavery risk, even if spend was low. We recognise that the amount of spend on goods and services does not always correlate with modern slavery risk and that once-off suppliers and smaller suppliers may also have high modern slavery risks.

The Procurement team worked with our Events and Property and Facilities teams to consider potential modern slavery risks in our supply chain. We then wrote to certain suppliers to say we were commencing work to identify and understand the risks of modern slavery in our operations and supply chains relevant to their sectors.

As part of this process, we have issued SAQs to suppliers providing us with hospitality, events and property and facilities management services. We are using the supporting guidance outlined above to help us understand supplier responses. The case study in this section explains how this work has informed our understanding of risks relating to our building managers and their engagement of cleaning and facilities management contractors.

In some cases, suppliers have declined to complete the SAQ. In these cases, we have sought to engage further with the relevant suppliers to convey our expectations.

Case study:

Assessing modern slavery risks relating to our building managers

We recognise that cleaning and other service providers engaged by our building managers may involve modern slavery risks (see section 3).

Based on SAQs shared with our Australian building managers, our Property and Facilities team has reviewed the steps being taken by our building managers to address modern slavery risks relating to their procurement of cleaning, security and other contracted facilities management providers.

This review indicated that our building managers' responses to modern slavery risks are at different maturity levels. We also found that our comparatively small tenancy footprint limited our leverage to engage with building managers (many of which are large Australian or multinational companies) and will consider options to build our leverage as appropriate (such as through collaboration with other tenants). In other cases, building managers appeared to have less sophisticated responses in place, but generally showed a commitment to continuous improvement.

Going forward, we are considering additional options to engage with our building managers.

Engaging with the external investments manager to better understand how modern slavery risks relating to our investments are managed

As outlined in section 3, we recognise that there is a risk we may be directly linked to modern slavery through our investment activities.

In 2021, we engaged with our external investments manager to better understand how they are managing modern slavery risks. The external investments manager subsequently provided a briefing to the working group to explain the steps they are taking to assess and address potential modern slavery risks relating to their managed investments.

The briefing also included an overview of the external investments manager's broader work on environmental, social and governance (ESG) issues.

This process provided an important opportunity to better understand our external investments manager's risk management processes and explain our expectations.

We will continue to monitor potential modern slavery risks linked to our investment activities and engage further with the external investments manager as required.

Provision of grant to the University of New South Wales (UNSW) for modern slavery research

During the reporting period, we supported UNSW with certain research relating to modern slavery and human rights due diligence. A CPA Australia grant supported a research assistant at the UNSW Australian Human Rights Institute.

UNSW published a **business and human rights abuse report** which examines the effectiveness of human rights due diligence as a means to prevent business activities which have adverse impacts on human rights. This research was supported by CPA Australia funding.

CPA Australia also provided support for a research report titled **Paper Promises? Evaluating the early impact of Australia's Modern Slavery Act** which was published in February 2022. This report had multiple authors and support.

"The briefing enabled the working group to build its understanding of how modern slavery and broader ESG risks are managed.

The briefing also complemented existing annual reporting by the external manager to CPA Australia's Audit, Risk and Compliance Committee, which includes the ESG profile of the funds under management, among other things."

Finance and Business Services
team member

C) Integrating and acting on our findings

The following steps outline how we are continuing to take concrete steps to integrate and act on our risk assessment findings.

Establishing guidance for our employees about modern slavery risks

To strengthen employee awareness and understanding of modern slavery risks in our supply chain, we developed a short modern slavery guidance note during the reporting period.

The guidance note explains six key areas of modern slavery risk related to our procurement of goods and services: cleaning and property management; hospitality; ICT products and services; construction and maintenance; merchandise; and office consumables.

The guidance note explains how modern slavery could occur in each area, the evidence base and the key risk drivers. It also includes high level, principles-based advice about managing potential modern slavery risks in each area.

We have distributed the guidance note to employees from key business units and uploaded it to our intranet for reference. We have also provided training on these key risk areas to selected employees across the business.

Providing modern slavery training to employees and the Board

We recognise that training is a key component of an effective response to modern slavery. That is why we are working to ensure all relevant CPA Australia employees have a strong understanding of modern slavery and our response, as well as the broader business and human rights context.

During the reporting period, training and awareness-raising activities were delivered to all employees and Board members. We partnered with Pillar Two, a specialist business and human rights advisory firm, to deliver the briefings and training outlined below.

1) A targeted strategic briefing to the ARCC and the Board about modern slavery

Pillar Two provided a tailored briefing for ARCC members and the Board, which included an overview of the business case for action on modern slavery and broader human rights issues, and the Board's role in this area. The briefing also outlined key modern slavery reporting trends and strategic opportunities to further strengthen CPA Australia's response to modern slavery, including the gap analysis and roadmap process.

The ARCC plays a key role in overseeing our response to modern slavery and this briefing helped ARCC members continue to engage with our modern slavery risk management and reporting.

2) Comprehensive modern slavery training to selected CPA Australia employees

We provided a 1.5-hour training session about modern slavery to over 30 employees from key functions across CPA Australia. The session covered key topics, including an overview of modern slavery and CPA Australia's response, and an interview with a CPA Australia employee involved in implementing our modern slavery response.

The session also highlighted CPA Australia's modern slavery risk areas, and included training on the SAQ supporting guidance. Training participants also completed an interactive dilemma scenario.

3) Targeted modern slavery training to overseas CPA Australia employees

Tailored modern slavery training was also provided to CPA Australia employees overseas. This training included an overview of modern slavery, including real world examples of how modern slavery can occur in global supply chains. The training also explained CPA Australia's key modern slavery risk areas.

"It was wonderful to be a part of the modern slavery training. I gained a greater understanding of our risks and responsibilities, with regards to the wellbeing and safety of all people in our supply chain.

The training reinforced the importance of conducting our business in a thoughtful and morally responsible way.

By asking more questions of our suppliers and contractors and advising them of CPA Australia's stance on this matter, we can work towards reducing the risks of modern slavery occurring.

This will be an evolving process where we will continue to improve our practices."

Property and Facilities team member

Continuing to embed modern slavery risk considerations in our major procurement and sourcing projects valued at over \$250,000

We continue to include modern slavery questions in all tender/request for proposal (RFP) documents issued by CPA Australia above the \$250,000 threshold. This includes up to six questions depending on the nature of the procurement and the likely level of risk.

This approach allows us to assess modern slavery risk and undertake further due diligence and assessments prior to engaging a supplier.

Continuing to require mandatory consideration of modern slavery risks for all procurement valued at over \$25,000

Since April 2020, every employee who manages a new contract with a supplier valued over \$25,000 must first complete an internal Approval to Proceed (ATP) form. The form asks the contract manager to indicate whether modern slavery risks have been identified before engaging the supplier and provides practical examples of modern slavery risks, such as high-risk industries, products or location of the supplier. If any risks are identified, the contract manager must contact our Procurement team to obtain our SAQ and additional guidance regarding modern slavery in the procurement process.

Use of modern slavery clauses in our contracts

During the reporting period, we continued to use modern slavery contract clauses in our standard form master services agreements to set clear expectations and requirements for our suppliers in relation to modern slavery risk management.

Among other things, the clauses require suppliers to acknowledge that CPA Australia is committed to complying with the MSA, and to warrant that the supplier has no knowledge of any risk of modern slavery offences within its organisation or supply chains and is taking reasonable steps to prevent the occurrence of modern slavery.

We have published our short-form master services agreement on our website so that future suppliers can clearly understand our expectations in relation to modern slavery.

If a supplier's performance relating to modern slavery is below standard during the term of an engagement, we would seek to engage positively with the supplier and use our leverage as a customer to address the issue in line with the UNGPs, prior to considering termination rights.

D) Tracking the effectiveness of our actions

As outlined below, we are tracking the effectiveness of our response to monitor how the steps we are taking are impacting our risks.

Holding regular meetings of our Modern Slavery and Human Rights Working Group

Our working group is the primary way we track the effectiveness of our response to modern slavery risks. During 2021, the working group met regularly to drive actions outlined in our roadmap, and track and review our progress. Further information about how we measure the effectiveness of our actions to assess and address modern slavery risks is set out in section 6.

E) Communicating our progress

As outlined below, we are sharing our progress and actions with members and the public to ensure we remain accountable for how we address our modern slavery risks.

Developing and publishing our 2021 modern slavery statement

Our statement is the primary tool we use to communicate with members and the public about the steps we are taking to combat modern slavery. During the reporting period, we proactively promoted our 2020 statement to members as a way to increase member engagement on modern slavery issues. For example, the Board wrote to members in July 2021 to update them on various topics including the publication of our 2020 statement.

We have also developed a dedicated webpage about our **response to modern slavery**, which includes a copy of our 2020 statement and will house future statements.

F) Remediation

The below outlines how we are working to equip ourselves to respond to, and where appropriate and in line with the UNGPs, remediate cases of modern slavery we may identify in the future.

Maintaining processes to enable the reporting of modern slavery concerns

Our **Whistleblower Policy** specifically includes modern slavery as an example of reportable conduct. The policy is a key component of our risk and corporate governance framework and sets out the process for receiving, investigating and addressing allegations of reportable conduct (including modern slavery) where it concerns the activities of CPA Australia or current and former directors, officers, agents, employees and contractors. A whistleblower is anyone who makes or attempts to make a report of reportable conduct under the Whistleblower Policy, and is, or has previously been, an officer, employee, supplier of goods or services or an associate of CPA Australia or is a relative or dependent of such persons.

If a whistleblower is uncomfortable or unable to report misconduct internally, they can make a report anonymously via CPA Australia's external and independent **whistleblowing service provider 'Your Call'** which allows for a clear, safe way for individuals to lodge a reportable conduct complaint on modern slavery.

There were no modern slavery or broader labour rights concerns identified through our whistleblower program in 2021.

Preparing to respond to any future modern slavery allegations or incidents

Through our working group, we are considering how we could respond appropriately to any modern slavery allegation. Any allegation would be managed via CPA Australia's Incident Management Procedure and, if required, Crisis Management Plan.

5

Member engagement and collaboration

Collaboration is the key to addressing modern slavery risk because it promotes best practice and idea sharing. In 2021, we worked closely with members, the broader profession and the community to foster action to combat modern slavery.

While COVID-19 impacted our engagement activities during 2021, we anticipate being able to broaden our engagement with members and other stakeholders in 2022.

As a member-based organisation, we are committed to supporting and equipping members with the tools to take action to address modern slavery. Accountants have a key role to play in supporting businesses to combat modern slavery. They must be able to recognise it as a risk to businesses' financial sustainability, support the identification and mitigation of modern slavery risks linked to procurement spend, and assure businesses' modern slavery responses.

Taking action on modern slavery is also consistent with accountants' responsibility to act in the public interest under the APES 110 Code of Ethics for Professional Accountants (the Code). This includes compliance with relevant laws and regulations, including those in relation to modern slavery. In this context, the Code emphasises the wider public interest of compliance with laws and regulations, including the potential harm to investors, creditors, employees and the general public.

Our key actions to engage with members and collaborate with stakeholders during the reporting period included:

- maintaining our membership of the UN Global Compact Network Australia, which provides us with opportunities to engage with business peers across sectors
- engaging with various experts to develop INTHEBLACK articles on modern slavery, labour rights and broader human rights issues (see page 11 for further information)
- launching a dedicated ESG micro-credential (a short, online and on-demand course) on "creating value through sustainability" in September 2021. This micro-credential aims to provide members with a robust business case for the value of ESG and includes human rights-related content relevant to modern slavery. Through a discussion on the history, developments and current ESG landscape, members are equipped with an understanding of materiality (as it relates to ESG) and on reporting considerations that could result from a focus on sustainability
- supporting the development of a report by RMIT University published in July 2021, analysing how Australia's 150 largest public companies are disclosing information about their implementation of the Sustainable Development Goals (SDGs). The report included analysis of disclosures in relation to SDG 8.7, which addresses modern slavery. We will continue to work to strengthen members' understanding and awareness of the SDGs, including SDG 8.7.



How can accountants help to address modern slavery?

The businesses and individuals in these case studies are fictional.

Case 1

Sam provides accounting services for a range of small businesses, including a hospitality company. After reviewing the company's financial data, Sam identifies a number of discrepancies relating to the payment of workers' superannuation and other entitlements.

After further engagement with the business owner, Sam suspects that the owner is also intentionally underpaying international students employed by the company. Sam reports his concerns to the relevant authorities, who investigate further.

This investigation reveals the company is exploiting a number of international students, who are in situations of forced labour (a form of modern slavery). The business owner pays these students a minimal wage 'off the books' and threatens them with deportation if they refuse to work or seek assistance from the authorities.

Case 2

Nina is an in-house accountant at a global mining company. While assisting the procurement team with a review of supplier spend, she notices that one overseas PPE supplier in a high-risk country for modern slavery appears to have significantly lower costs than other similar suppliers used by the company. Nina flags this with her colleagues, who engage with the supplier.

A subsequent social audit of the supplier finds evidence of significant worker underpayment (a red flag that modern slavery may also be occurring).

6

Assessing the effectiveness of our actions

Effectiveness of our actions

Tracking the implementation and impact of our actions to combat modern slavery risks is a key part of our response to modern slavery. This monitoring and assessment helps us understand what works and where further action is needed.

We recognise that assessing the effectiveness of actions in a modern slavery context is challenging. For example, tracking quantitative metrics relating to numbers of people trained or suppliers engaged may not provide a clear indication of whether these actions are having a meaningful impact.

In this context, we are working to continue to strengthen our approach to assessing effectiveness. We believe the core components of an effective response to modern slavery include being able to accurately identify, understand and respond to our modern slavery risks, and remediate any instances where we identify we have caused or contributed to modern slavery in line with the UNGPs.

Importantly, we recognise that an effective response should also focus on changes on the ground in the lives of those who may be subjected to or who have survived modern slavery, and not just on changes to our risk profile.

Modern slavery gap analysis and roadmap

During the reporting period, the key action we undertook to assess the effectiveness of our actions was completing the modern slavery gap analysis and roadmap project outlined on page 23.

The gap analysis and roadmap included a comprehensive review of our modern slavery response, which has helped us understand where we may be able to enhance the effectiveness of our actions.

For example, based on the roadmap recommendations, we have worked to improve the effectiveness of our SAQ process by developing guidance to help business units better understand supplier responses (described on page 27).

Importantly, the roadmap also includes other recommended future actions relating to assessing effectiveness.

Ongoing actions to assess effectiveness

The results of our gap analysis and roadmap project provide us with a framework to further strengthen our modern slavery risk management and work towards the core components of an effective response identified above. As such, we draw on our progress in implementing the roadmap as a measure to help us understand and assess the overall effectiveness of our response.

We assess our progress in implementing the roadmap on an ongoing basis through our working group. They meet regularly to discuss how actions are progressing and review upcoming actions. This approach enables us to continually assess both the overall effectiveness of our whole-of-business response, as well as the effectiveness of specific actions taken as part of the roadmap implementation.

We also draw on other tools to understand and monitor the effectiveness of our actions. For example, we:

- monitor compliance with our key policies through periodic reviews by our internal auditor
- track complaints received through our whistleblower channels (no modern slavery or labour rights related complaints were received during the reporting period)
- seek feedback from training participants to understand whether our training is effective in building awareness of modern slavery
- monitor the use of modern slavery questions in RFP documents used for procurement processes (all procurement RFPs released in 2021 included modern slavery questions).

7

Our future plans

We understand the importance of continuous improvement and will work to further strengthen our existing response over 2022, while continuing to implement our modern slavery roadmap.

Key planned actions in 2022 include:

- considering options to target supplier engagement based on risk, such as separate SAQs and RFP questions for higher and lower risk sectors
- reviewing the content of our modern slavery contract clauses to identify potential opportunities to revise and strengthen these provisions
- engaging with the Australian Government's three-year review of the MSA on behalf of members
- supporting a UNSW report about companies' compliance with the MSA.



8

How we consulted with our controlled entities to prepare this statement

We worked with our two owned and controlled entities to prepare this statement. The boards of these controlled entities understand our expectation that they act in accordance with our standards, policies and procedures including those relating to modern slavery and broader human rights issues.

During the development of this statement, the CPA Australia Modern Slavery and Human Rights Working Group provided drafts to selected directors of each of these controlled entities. We sought their contributions and feedback to ensure that the statement accurately reflects modern slavery risks and actions taken by these entities.

Some of the board members of our controlled entities also have day-to-day management roles in CPA Australia. They therefore have an operational understanding of the steps we are taking to reduce the risk of modern slavery in our operations and supply chains and how these actions relate to our controlled entities. For example, two directors of CPA Australia (Shanghai) Co. Ltd. are also members of the CPA Australia Executive Management Team and three directors are members of our Modern Slavery and Human Rights Working Group.

Developing this statement through our working group allows us to consult with key business functions on the statement, including Procurement, Policy and Advocacy, People and Culture, Company Secretariat, Finance, Property and Facilities, International and Legal. These functions have responsibilities in relation to CPA Australia as well as our controlled entities, which further strengthened our consultation process.

Appendix

Mandatory requirements under Australia's Modern Slavery Act 2018 (Cth) and the UK's Modern Slavery Act 2015.

Australia's Modern Slavery Act 2018 (Cth) mandatory reporting criteria	UK's Modern Slavery Act 2015 recommended reporting criteria	Statement section addressing this requirement
Mandatory criterion one: Identify the reporting entity.	Organisation's structure, business and supply chains.	Section 1: About this statement
Mandatory criterion two: Describe the structure, operations and supply chains of the reporting entity.	Organisation's structure, business and supply chains.	Section 2: Our structure, operations and supply chains
Mandatory criterion three: Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls.	The parts of the organisation's business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk.	Section 3: Our modern slavery risks
Mandatory criterion four: Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes.	Organisation's policies in relation to slavery and human trafficking; its due diligence processes in relation to slavery and human trafficking in its business and supply chains; and the training about slavery and human trafficking available to its staff.	Section 4: Our actions to assess and address modern slavery risks in our operations and supply chains
Mandatory criterion five: Describe how the reporting entity assesses the effectiveness of such actions.	Organisation's effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate.	Section 6: Assessing the effectiveness of our actions
Mandatory criterion six: Describe the process of consultation with any entities that the reporting entity owns or controls. In the case of a reporting entity covered by a statement under section 14 – the entity giving the statement.	N/A	Section 8: How we consulted with our controlled entities to prepare this statement
Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	N/A	Section 5: Member engagement and collaboration Section 7: Our future plans

